

WSDOT Market Analysis

- The market forecast for the 3rd quarter of 2005 is based on predictions published in graphical format in the September 26th, 2005 edition of ENR Magazine. Data used in ENR is based on the Bureau of Labor Statistics.
 - **Cement** prices that have been rising since early in 2004 are expected to continue rising. The rate of increase is expected to be more moderate through the second quarter of 2006.

“Before the storm, tight markets and widespread regional shortages had pushed cement prices up 14.5% for the year, according to the Bureau of Labor Statistics’ July producer price index.” (ENR 9/26/05)

- **Steel** prices began surging in 2003 and continued surging into 2004. For 2005 the prices have been on a downward trend and the forecast is for prices to be steady or possibly dropping into the second quarter of 2006.

“Structural steel prices fell from \$561 a ton in the third quarter of 2004 to \$537 this year. “Before Katrina, we had prices falling to \$503,” says John Anton, the firm’s steel analyst. By the second quarter of 2006, Anton expects structural steel prices to be back down to \$500.” (ENR 9/26/05)

- **Lumber and plywood** prices have dropped from the peak in 2004 and remained steady in 2005 and even with the impact of Katrina the prices are only forecast to increase slowly into 2006.

“Prices for 2x4 western spruce had fallen from \$460 per thousand bd. ft. in 2004 to \$286 by last August and then jumped back to \$321 when the storm hit, according to Resource Information Systems Inc., a Bedford, Mass.-based forecasting firm.” (ENR 9/26/05)

- **Asphalt** prices have been rising consistently since 2003 and will continue to rise through all of 2006.

“Consequently, costs for derivative products such as liquid fuels, asphalt, PVC pipe, and petrochemical products are rising”. (ENR 9/26/05)

- **Fuel** prices should peak in the fourth quarter of 2005 and then drop during the first two quarters of 2006.

“In its first post-Katrina forecast, the U.S. Dept. of Energy says that quarterly averages for oil prices will remain above \$62 per barrel for the rest of 2005 and all of 2006. While worldwide demand growth is set to slow compared to 2004, it will still be strong enough to sustain high prices. DOE adds that continued tepid production growth through 2006 and “geo-political risks, such as the insurgency in Iraq and potential troubles in Nigeria and Venezuela, have boosted the level of uncertainty in world oil markets.” The U.S. imports about 60% of its crude oil.” (ENR 9/26/05)

“Diesel prices in the third quarter averaged 50% higher than a year ago, according to the Bureau of Labor Statistics’ producer price index. After adjusting for inflation, current prices are the highest in more than 50 years, say DOE”. (ENR 9/26/05)

- **Construction** prices in general are expected to continue upwards.

“The major uncertainty relates to the price and availability of building materials, which means in the near-term that the construction industry will continue to adjust to a higher cost structure”. (ENR 9/26/05)

“A recent pre-Katrina survey of 167 public owners found that 92% of the owners experienced an average increase in their project cost of 13.2% in 2004, says John Dunkerley, chief estimator for PinnacleOne, Phoenix, which commissioned the survey. “Katrina will only aggravate those conditions,” he says. “I had expected industry escalation to slip back to 5% this year. But now I’m expecting Katrina to spike it up over the next 12 to 24 months by 10 to 20% a year.” (ENR 9/26/05)